

- C. Add to each array the cumulative annualized total patient days by adding in succession the days listed for each facility.
  - D. Determine the median patient days by multiplying the total cumulative patient days by fifty percent (50%) and locate the median patient days on each array.
- 
- E. Determine the median costs by matching the median patient days to the associated costs. This may require interpolation.
  - F. The cost at the median patient day is multiplied by 109% to determine the ceiling for each classification.
4. Determine the per diem rate for each facility for administrative and operating costs. If the facility's administrative and operating cost is above the ceiling, its administrative and operating rate is the ceiling. If the facility's cost falls below the ceiling, then its administrative and operating rate is its trended cost plus seventy-five percent (75%) of the difference between the greater of the trended cost or the median and the ceiling.
- F. Property Payment. A per diem payment will be made for property costs based on a fair rental system. The amount of the payment is determined as follows:
- 1. A new facility constructed on January 1, 1992 is assumed to have a per bed value of \$25,908. The value of new construction will be indexed each year using the RS Means Construction Cost Index. The new bed value will be indexed each year to January 1 of the payment year. The cost index

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will be estimated using a five year moving average of the most recent cost indices for Jackson, MS. For example, in computing the rates for the year January 1, 2001 through December 31, 2001, the new bed value will be indexed to January 1, 2001 using the estimated index. An adjustment to the new bed value of 37.20% will be made for licensed Alzheimer=s units based on the additional construction costs required to be licensed as an Alzheimer=s unit. Likewise, an adjustment to the new bed value of 328.178% will be made for PNFSD's.

2. The fair rental system establishes a facility's value based on its age. The older the facility, the less its value. Additions, replacements, and renovations will be recognized by lowering the age of the facility and, thus, increasing the facility's value. Facilities, one year or older, will be valued at the new construction bed value less depreciation of 1% per year according to the age of the facility. Facilities will not be depreciated to an amount less than seventy percent (70%) of the new construction bed value. For sales of assets closed on or after July 1, 1993, there will be no recapture of depreciation.

- a. Addition of Beds. The addition of beds will require a computation of the weighted average age of the facility based on the construction dates of
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**Property Insurance and  
Property Taxes**  
Patient Days

Pass Through Based on Annualized  
Reported Costs / Annualized Total

Example: Property Taxes \$0.65  
Prop. Insurance 0.60  
Total \$1.25

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**Per Diem Property Payment**

Rental Payment + Taxes & Insurance

Example: Per Diem Property Payment =  
\$6.60 + \$1.25 = \$7.75

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**Hold Harmless Per Diem  
(Facility Below the Ceiling)**

Example: Reported Per Diem Property  
Cost (Interest, Amortization, and  
Depreciation) = \$7.11  
Less: Fair rental per diem 6.60  
Hold Harmless Payment \$ .51

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**Return on Non-Property  
Equity Per Diem**  
Patient Days

\*Average Non-Property Equity x  
Rental Factor / Annualized Total

Example: Avg. Non-Property Equity=  
\$156,500 x 9.5% (rental factor) /  
41,610 = \$.36

\* subject to limitation of two (2)  
months of reported allowable costs

G. Return on Equity Payment

The facility's average net working capital for the reporting period maintained for necessary and proper operation of patient care activities will be multiplied by the rental factor used in the property payment to determine the return on equity payment. The return on equity payment will be divided

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#### H. Total Base Rate

The annual base rate is the sum of the standard direct care per diem rate, the care related per diem rate, the administrative and operating per diem rate, the per diem property payment, the per diem hold harmless payment, and the per diem return on equity payment. The annual base rate for PNFSD's also includes the therapy per diem rate.

#### I. Calculation of the Rate For One Provider

In years when the rate is calculated for only one PNFSD, reimbursement will be based upon allowable reported costs of the facility. Reimbursement for direct care, therapies, care related, and administrative and operating costs will be made at cost plus the applicable trend factors. The property payment and the return on equity payment will be calculated for the facility as described in Sections 3-4 F. and G.

#### 3-5 Occupancy Allowance

The fixed per diem costs for administrative and operating costs and for property will be calculated using the greater of the facility's actual occupancy level or eighty percent (80%). This level is considered to be the minimum occupancy level for economic and efficient operation.

For facilities having less than eighty percent (80%) occupancy, the number of total patient days will be computed on an eighty percent (80%) factor instead of a lower actual percentage of occupancy. This will not apply to the computation of patient days used in computing the direct care and care related and therapy rates. For example: a facility with an occupancy level of seventy percent (70%) representing 20,000 actual patient days in a reporting period will have to adjust this figure to 22,857 patient days ((22,000 / 70%)

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averages, follows Section 7-4 and the market basket example of this plan.

5. Add the line item trend factors determined in (4) above for each cost category. The result will be the trend factor for each of the cost categories.
6. The forecasted trend factor for each of the cost centers may be adjusted due to the following:
  - a. Known increases or decreases in costs due to federal or state laws or regulations, or
  - b. Other factors that can be reasonably forecasted to have a material effect on costs in the prospective year.

### 7-3 Trend Factors - Nursing Facilities

Trend factors will be used in computing the base rates for nursing facilities. A direct care and care related costs trend factor will be determined by combining the trend factors determined for each of these cost centers in Section 7-2, above. The total Direct Care and Care Related Trend Factor will be computed by weighting the total allowable costs in each of the cost centers to the total in the two (2) cost centers. The percent of each to the total costs will be multiplied by trend factors for the individual trend factors determined in Section 7-2, above.

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is not counted as a day. If both admission and discharge occur on the same day, the day is considered a day of admission and counts as one patient day.

Residential Psychiatric Treatment Facilities - A classification of facilities which provides long term psychiatric care for children under age 22. Services must be provided under the direction of a physician who is at least board eligible and has experience in child/adolescent psychiatry. The psychiatric services must also be provided in accordance with an individual comprehensive services plan.

Small Nursing Facility - A classification of long term care facilities which provides nursing facility care in accordance with 42 CFR Part 483, Subpart B and which has 1 - 60 beds certified for Title XIX.

Private Nursing Facility for the Severely Disabled - A classification of long term care facilities which provides specialized nursing facility care to severely disabled residents, including, but not limited to, those with spinal cord injuries, closed head injuries, and ventilator-dependence.

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